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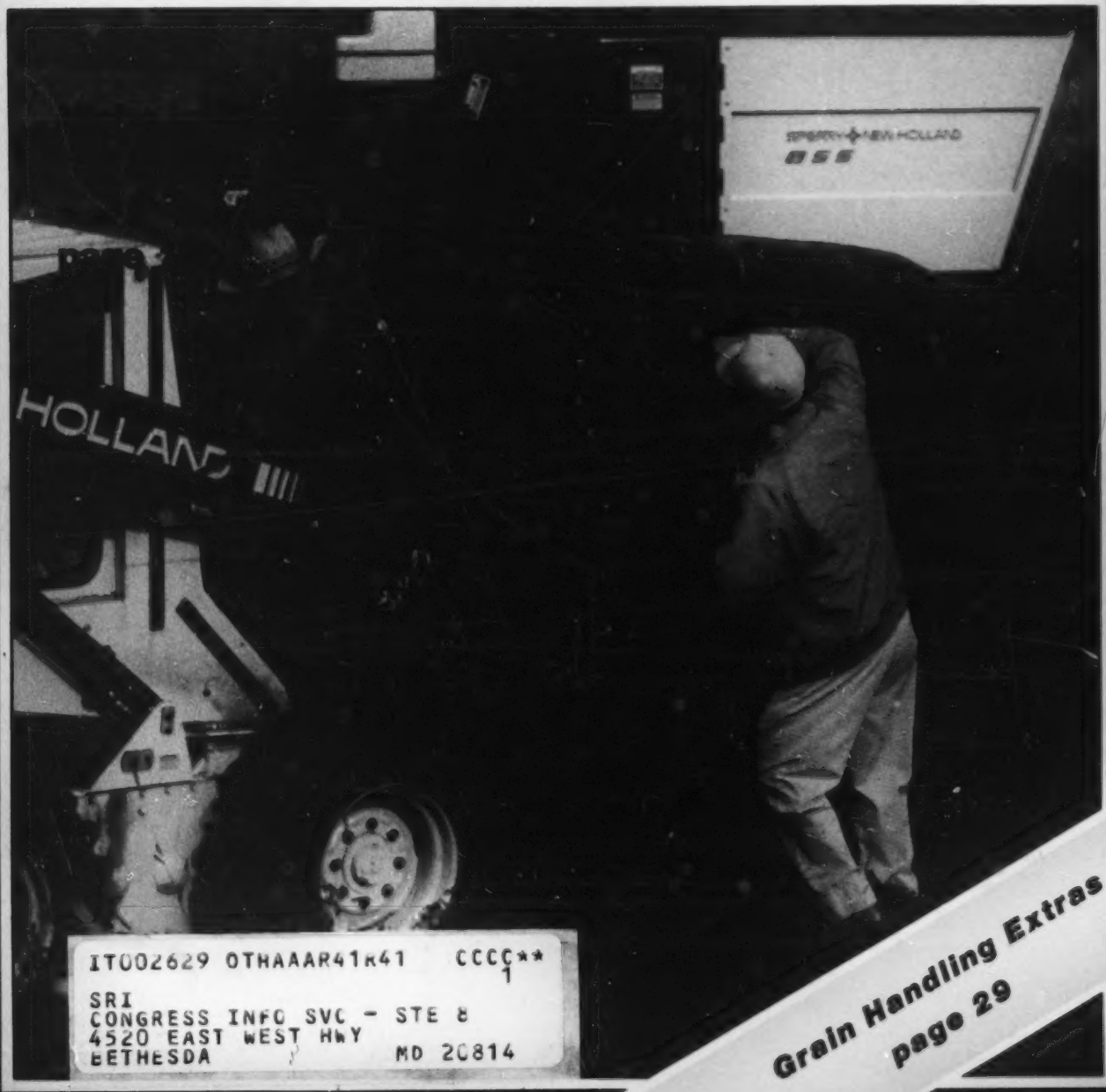
I&T 100 YEARS OF LEADERSHIP

# Implement & Tractor

*The business magazine of the farm and industrial equipment industry* May 1988

## Where the Horsepower Sold in '87 page 12

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## Grain Handling Extras page 29

I&T 100 YEARS OF LEADERSHIP

# Implement & Tractor

*The business magazine of the farm and industrial equipment industry.*

May 1988 • Vol. 103 • No. 6

## On Our Cover

*On this Pennsylvania farm, they use a skid-steer loader to lift silage bales and put plastic bags on them. It's one of several approaches to balage which have machinery implications.*

(Photo by Ford New Holland)

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## Features

**12:** **Where the horsepower** went. The annual report of tractor sales by horsepower and state.

**19:** **Selling new values** in forage equipment: Electronics and microprocessors on today's forage equipment deliver real benefits to the users. But prospective buyers need to be told about them.

**21:** **"Are we suppliers** or are we marketers?" There's an understanding gap between dealers and manufacturers regarding the basics of marketing.

**24:** **SIMA: Taking** an upturn calmly. The European farm equipment market is enjoying a rebound, but many manufacturers are wary.

**29:** **Are you selling** grain harvest extras? They could become more important to you if changes in grain quality standards come about.

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**Farm Press Publications, Inc.**

# March Sales Fire Blazes; Does Fuel Shortage Loom?

U.S. retail sales of tractors in the first quarter of 1988 were up 27 percent, with March unit volume up by 28 percent. The big gains were in the high-horsepower, big-ticket ranges; the only sales decline was among Japanese-built, under-40-hp models in March. Some observers speculate that low inventories of some types of equipment may soon produce declines in monthly retail sales.

**Unit Retail Sales**

| | March | | | January-March | | |
|---|---|---|---|---|---|---|
| Equipment | 1988 | 1987 | % Change | 1988 | 1987 | % Change |
| Farm Wheel Tractors: | | | | | | |
| 2-Wheel Drive | | | | | | |
| Under 40 HP | 4,754 | 4,913 | (3.2) | 10,398 | 10,343 | .5 |
| 40 & Under 100 HP | 3,214 | 2,129 | 51.0 | 7,773 | 5,514 | 41.0 |
| 100 & Under 140 HP | 424 | 196 | 116.3 | 1,174 | 665 | 76.5 |
| 140 HP & Over | 1,118 | 364 | 207.1 | 2,950 | 1,218 | 142.2 |
| Total 2-Wheel Drive | 9,510 | 7,602 | 25.1 | 22,295 | 17,740 | 25.7 |
| 4-Wheel Drive | | | | | | |
| Under 200 HP | 140 | 51 | 174.5 | 252 | 117 | 115.4 |
| 200 HP & Over | 226 | 59 | 283.1 | 439 | 204 | 115.2 |
| Total 4-Wheel Drive | 366 | 110 | 232.7 | 691 | 321 | 115.3 |
| Total Farm Wheel Tractors | 9,876 | 7,712 | 28.1 | 22,986 | 18,061 | 27.3 |
| Combines (Self-Propelled) | 579 | 76 | 661.8 | 1,401 | 314 | 346.2 |
| Balers (Bales under 200 lbs) | 272 | 194 | 40.2 | 629 | 529 | 18.9 |
| Forage Harvesters (Shear Bar Type) | 104 | 92 | 13.0 | 254 | 225 | 12.9 |
| Mower Conditioners | 690 | 448 | 54.0 | 1,344 | 1,101 | 22.1 |

## Case IH: Operating Loss of $259 Million

According to the annual report of Tenneco Inc., parent company of Case IH, the farm and construction equipment maker had sales in 1987 of $3.66 billion worldwide and a loss from continuing operations before interest and federal income tax of $259 million.

In the previous year, sales were $3.36 billion and operating losses before interest and tax were $1 million.

Case IH finished 1987 with total assets of $4.56 billion, up $732 million from a year earlier. Capital expenditures in 1987 were $308 million, compared with $154 million in 1986.

J.L. Ketelsen, Tenneco chairman and CEO, referring to good results of its industrial businesses, said they were "totally over-shadowed in 1987 by the unsatisfactory performance of Case IH. We have taken major steps to revitalize the company's operations, redirect its focus and improve its management."

He added that by the end of 1988, nine manufacturing plants worldwide will have been closed or downsized. The full effect of these actions and ongoing stringent cost reduction programs will not be felt until 1989, he said.

## Deere's 1st Period: Sales Hit $1 Billion

Deere & Co. had its fourth straight quarterly profit in the first period of fiscal 1988 (ended Jan. 31) at $67.5 million, compared with a strike-induced loss of $192.6 million in the same 1987 quarter.

Sales reached $1.045 billion, compared with $419 million a year earlier. Farm equipment volume rose 91 percent to $802 million; industrial equipment volume of $244 million was a 310 percent improvement. North American volume was up 143 percent at $827 million; overseas volume was up 57 percent at $219 million.

## Tire Inflation Warning Issued

Armstrong Tire Co. warns that when agricultural tractors equipped with R-1 drive tires are engaged in field-leveling operations, the tires are subjected to high lateral loads. This can cause high lateral deflection and may result in excessive bead chafing and radial cracking in the shoulder area.

Fred A. Fuest, Armstrong consumer affairs manager, advises that inflation of the drive wheel tires in this situation be increased by four pounds (4 psi) over normal rated inflation.

"Provided there is no increase in load, this increase in inflation will help the tires resist lateral deflection," said Fuest. "This should reduce chafing in the bead-rim flange area and stress in the shoulder area during turns."

## Varity Posts 1987 Profit of $4.5 Million

Varity Corp., parent company of Massey-Ferguson, has reported a net profit for the fiscal year ended Jan. 31 of $4.5 million (U.S.). Net sales were $1.949 billion. Income before extraordinary items was $51 million.

An extraordinary provision of $60 million relating to the receivership of Massey Combines Corp., of which Varity owns 45 percent, and a gain of $14 million from tax loss benefits of prior years produced the net figure.

## Briefly...

Gehl Co. and the People's Republic of China have signed an agreement by which Gehl licenses its skid loader technology to the Xu Zhou No. 2 Construction Machinery Co. The skid-steers will be used in China, and the agreement allows them to be marketed in Hong Kong, Singapore and Malaysia.

# 1987 Retail Sales of Farm Wheel

| State | Two-Wheel Drive Tractors | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Under 20 | 20-29 | 30-39 | 40-49 | 50-59 | 60-69 | 70-79 | 80-89 | 90-99 | 100-119 | 120-129 |
| Alabama | 711 | 715 | 435 | 419 | 216 | 123 | 103 | 106 | 2 | 15 | 31 |
| Alaska | 4 | 8 | 2 | 1 | — | 2 | — | — | 1 | — | — |
| Arizona | 144 | 81 | 31 | 31 | 23 | 44 | 56 | 47 | 7 | 24 | 18 |
| Arkansas | 775 | 611 | 302 | 256 | 268 | 166 | 94 | 51 | 6 | 12 | 6 |
| California | 1,300 | 1,030 | 303 | 202 | 287 | 451 | 614 | 267 | 44 | 75 | 55 |
| Colorado | 168 | 136 | 67 | 32 | 39 | 30 | 16 | 16 | 5 | 14 | 18 |
| Connecticut | 447 | 375 | 109 | 53 | 50 | 15 | 15 | 11 | 8 | 2 | 3 |
| Delaware | 102 | 95 | 29 | 20 | 18 | 16 | 10 | 4 | 1 | 9 | 2 |
| Florida | 1,087 | 908 | 405 | 410 | 203 | 292 | 447 | 327 | 95 | 36 | 59 |
| Georgia | 1,196 | 1,042 | 930 | 656 | 348 | 242 | 177 | 239 | 24 | 38 | 59 |
| Hawaii | 28 | 47 | 30 | 10 | 15 | 10 | 8 | 1 | — | — | — |
| Idaho | 57 | 51 | 17 | 6 | 35 | 38 | 29 | 17 | 11 | 14 | 21 |
| Illinois | 798 | 417 | 114 | 121 | 228 | 150 | 155 | 111 | 18 | 80 | 90 |
| Indiana | 929 | 526 | 169 | 142 | 110 | 113 | 82 | 85 | 13 | 38 | 39 |
| Iowa | 227 | 117 | 34 | 68 | 63 | 122 | 147 | 117 | 49 | 146 | 146 |
| Kansas | 317 | 148 | 57 | 35 | 43 | 77 | 63 | 53 | 19 | 67 | 58 |
| Kentucky | 625 | 332 | 241 | 372 | 417 | 205 | 106 | 129 | 7 | 9 | 12 |
| Louisiana | 799 | 695 | 224 | 148 | 62 | 111 | 82 | 26 | 3 | 5 | 25 |
| Maine | 360 | 249 | 93 | 23 | 43 | 24 | 13 | 4 | 2 | 3 | 4 |
| Maryland | 948 | 636 | 217 | 131 | 75 | 101 | 46 | 28 | 14 | 20 | 16 |
| Massachusetts | 451 | 362 | 151 | 53 | 54 | 41 | 45 | 16 | 4 | 4 | 5 |
| Michigan | 933 | 578 | 200 | 153 | 182 | 143 | 90 | 66 | 32 | 36 | 36 |
| Minnesota | 247 | 151 | 45 | 50 | 66 | 101 | 101 | 102 | 22 | 111 | 80 |
| Mississippi | 389 | 547 | 279 | 219 | 138 | 167 | 76 | 81 | 9 | 13 | 14 |
| Missouri | 929 | 516 | 213 | 202 | 226 | 204 | 182 | 153 | 34 | 74 | 45 |
| Montana | 69 | 43 | 8 | 12 | 9 | 10 | 22 | 33 | 9 | 22 | 18 |
| Nebraska | 87 | 35 | 21 | 19 | 15 | 37 | 56 | 78 | 17 | 63 | 99 |
| Nevada | 32 | 28 | 4 | 4 | 4 | 8 | 4 | 7 | -- | 3 | — |
| New Hampshire | 521 | 475 | 153 | 53 | 48 | 21 | 9 | 5 | 4 | 3 | — |
| New Jersey | 440 | 480 | 171 | 96 | 52 | 37 | 27 | 13 | 2 | 4 | 3 |
| New Mexico | 65 | 103 | 70 | 29 | 18 | 30 | 38 | 10 | 5 | 10 | 8 |
| New York | 1,429 | 1,101 | 327 | 182 | 269 | 163 | 154 | 195 | 58 | 48 | 45 |
| North Carolina | 1,306 | 1,069 | 727 | 1,017 | 365 | 254 | 164 | 167 | 10 | 52 | 63 |
| North Dakota | 92 | 34 | 6 | 9 | 20 | 15 | 27 | 29 | 19 | 48 | 52 |
| Ohio | 1,811 | 836 | 247 | 212 | 232 | 205 | 138 | 120 | 39 | 68 | 49 |
| Oklahoma | 563 | 361 | 121 | 114 | 108 | 103 | 53 | 61 | 13 | 49 | 46 |
| Oregon | 673 | 280 | 91 | 109 | 114 | 86 | 46 | 50 | 16 | 22 | 27 |
| Pennsylvania | 2,188 | 1,006 | 326 | 225 | 218 | 198 | 140 | 122 | 41 | 49 | 40 |
| Rhode Island | 46 | 31 | 13 | 6 | 9 | 13 | — | 1 | — | — | — |
| South Carolina | 586 | 568 | 274 | 312 | 100 | 91 | 73 | 59 | 5 | 7 | 16 |
| South Dakota | 37 | 32 | 19 | 10 | 21 | 35 | 40 | 30 | 27 | 73 | 86 |
| Tennessee | 1,163 | 884 | 561 | 817 | 312 | 306 | 121 | 94 | 8 | 28 | 16 |
| Texas | 1,817 | 1,715 | 635 | 751 | 388 | 649 | 308 | 320 | 57 | 132 | 103 |
| Utah | 67 | 49 | 28 | 35 | 21 | 29 | 14 | 15 | 8 | 13 | 10 |
| Vermont | 227 | 168 | 54 | 16 | 46 | 40 | 28 | 21 | 7 | 7 | 13 |
| Virginia | 1,190 | 804 | 446 | 413 | 342 | 207 | 97 | 110 | 23 | 14 | 30 |
| Washington | 371 | 270 | 76 | 128 | 277 | 102 | 62 | 39 | 10 | 7 | 11 |
| West Virginia | 251 | 102 | 109 | 121 | 75 | 162 | 15 | 9 | 3 | 1 | 1 |
| Wisconsin | 321 | 183 | 54 | 74 | 124 | 175 | 160 | 199 | 85 | 90 | 98 |
| Wyoming | 26 | 6 | 10 | 4 | 14 | 8 | 4 | 7 | 11 | 6 | 14 |
| U.S. Government | — | — | 48 | 20 | 3 | 109 | — | — | — | 1 | 1 |
| Miscellaneous | 8 | 212 | 1 | 58 | 34 | 11 | 179 | 25 | 1 | — | — |
| TOTAL | 29,357 | 21,248 | 9,297 | 8,659 | 6,447 | 6,092 | 4,736 | 3,876 | 908 | 1,665 | 1,691 |

DATA SOURCE: Farm & Industrial Equipment Institute. Figures do not include garden tractors, motor tillers or contractor's off-highway types. Report includes units marketed by these firms: Case International, Deere, Deutz-Allis, Ford New Holland, Hesston, Kubota, Long, Massey-Ferguson, SAME, Steiger, Versatile, White-New Idea and Yanmar. Sales reported as miscellaneous are retail

# Tractors by Horsepower (in units)

| 130-139 | 140-159 | 160-179 | 180 & over | Total 2-Wheel Drive | Four-Wheel-Drive Tractors: Under 200 | 200-249 | 250 & over | Total 4-Wheel Drive | Total All Farm Wheel Tractors | State |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 39 | 15 | 12 | 2,943 | – | 1 | – | 1 | 2,944 | Alabama |
| – | – | 2 | – | 20 | – | – | – | – | 20 | Alaska |
| 22 | 30 | 33 | 47 | 638 | – | 1 | 1 | 2 | 640 | Arizona |
| 19 | 32 | 158 | 327 | 3,083 | 4 | 6 | 21 | 31 | 3,114 | Arkansas |
| 63 | 85 | 125 | 69 | 4,970 | 9 | 16 | 24 | 49 | 5,019 | California |
| 11 | 43 | 46 | 41 | 682 | 24 | 18 | 17 | 59 | 741 | Colorado |
| – | 2 | – | 1 | 1,091 | 1 | – | – | 1 | 1,092 | Connecticut |
| 3 | 3 | 5 | 3 | 320 | 2 | 1 | 1 | 4 | 324 | Delaware |
| 2 | 56 | 22 | 26 | 4,375 | 24 | 13 | 18 | 55 | 4,430 | Florida |
| 18 | 111 | 52 | 41 | 5,173 | 3 | – | – | 3 | 5,176 | Georgia |
| – | – | – | – | 149 | – | – | 4 | 4 | 153 | Hawaii |
| 37 | 36 | 47 | 81 | 497 | 9 | 1 | 7 | 17 | 514 | Idaho |
| 117 | 247 | 324 | 234 | 3,204 | 35 | 45 | 36 | 116 | 3,320 | Illinois |
| 70 | 124 | 169 | 103 | 2,712 | 17 | 12 | 17 | 46 | 2,758 | Indiana |
| 193 | 463 | 327 | 214 | 2,433 | 30 | 13 | 21 | 64 | 2,497 | Iowa |
| 62 | 200 | 193 | 199 | 1,591 | 47 | 49 | 36 | 132 | 1,723 | Kansas |
| 10 | 13 | 18 | 23 | 2,519 | – | 4 | 4 | 8 | 2,527 | Kentucky |
| 10 | 16 | 95 | 129 | 2,430 | 7 | 2 | 14 | 23 | 2,453 | Louisiana |
| – | 4 | 2 | – | 824 | – | – | – | – | 824 | Maine |
| 4 | 24 | 7 | 12 | 2,279 | 1 | – | 1 | 2 | 2,281 | Maryland |
| – | 2 | – | – | 1,188 | – | – | – | – | 1,188 | Massachusetts |
| 23 | 75 | 52 | 25 | 2,624 | 20 | 6 | 8 | 34 | 2,658 | Michigan |
| 154 | 220 | 249 | 117 | 1,816 | 50 | 46 | 57 | 153 | 1,969 | Minnesota |
| 9 | 40 | 116 | 220 | 2,317 | 4 | 8 | 4 | 16 | 2,333 | Mississippi |
| 60 | 85 | 137 | 206 | 3,266 | 11 | 11 | 21 | 43 | 3,309 | Missouri |
| 16 | 35 | 18 | 16 | 340 | 29 | 18 | 29 | 76 | 416 | Montana |
| 109 | 211 | 242 | 225 | 1,314 | 36 | 18 | 10 | 64 | 1,378 | Nebraska |
| 1 | – | 2 | 2 | 99 | 1 | – | – | 1 | 100 | Nevada |
| – | – | 1 | – | 1,293 | – | – | – | – | 1,293 | New Hampshire |
| 3 | 4 | 4 | 1 | 1,337 | – | – | – | – | 1,337 | New Jersey |
| 5 | 25 | 15 | 13 | 444 | – | – | 5 | 5 | 449 | New Mexico |
| 28 | 51 | 20 | 4 | 4,074 | 4 | – | 2 | 6 | 4,080 | New York |
| 9 | 75 | 31 | 25 | 5,334 | 1 | – | 2 | 3 | 5,337 | North Carolina |
| 154 | 183 | 241 | 163 | 1,092 | 70 | 58 | 95 | 223 | 1,315 | North Dakota |
| 51 | 117 | 86 | 55 | 4,276 | 9 | 7 | 9 | 25 | 4,301 | Ohio |
| 30 | 118 | 77 | 40 | 1,857 | 29 | 20 | 32 | 81 | 1,938 | Oklahoma |
| 3 | 35 | 16 | 11 | 1,579 | 3 | 3 | 5 | 11 | 1,590 | Oregon |
| 32 | 24 | 19 | 12 | 4,840 | 4 | – | 5 | 9 | 4,649 | Pennsylvania |
| – | – | – | – | 119 | – | – | – | – | 119 | Rhode Island |
| 1 | 15 | 10 | 10 | 2,127 | – | – | 2 | 2 | 2,129 | South Carolina |
| 181 | 168 | 242 | 129 | 1,130 | 57 | 28 | 33 | 118 | 1,248 | South Dakota |
| 20 | 38 | 56 | 48 | 4,472 | 1 | 2 | 3 | 6 | 4,478 | Tennessee |
| 88 | 385 | 401 | 434 | 8,183 | 28 | 24 | 43 | 95 | 8,278 | Texas |
| 4 | 6 | 8 | 1 | 308 | 1 | – | – | 1 | 309 | Utah |
| 1 | 8 | 3 | – | 639 | – | – | – | – | 639 | Vermont |
| 2 | 15 | 4 | 7 | 3,704 | 1 | – | – | 1 | 3,705 | Virginia |
| 8 | 26 | 15 | 31 | 1,433 | 9 | 12 | 9 | 30 | 1,463 | Washington |
| – | 1 | – | – | 850 | – | – | – | – | 850 | West Virginia |
| 89 | 118 | 86 | 44 | 1,900 | 15 | 6 | 2 | 23 | 1,923 | Wisconsin |
| – | 8 | 8 | 5 | 131 | 6 | 1 | 1 | 8 | 139 | Wyoming |
| – | 1 | – | – | 183 | – | – | 2 | 2 | 185 | U.S. Government |
| – | – | – | – | 529 | – | – | – | – | 529 | Miscellaneous |
| 1,733 | 3,617 | 3,799 | 3,406 | 106,531 | 602 | 450 | 601 | 1,653 | 108,184 | TOTAL |

sales which cannot be classified by state or as U.S. government. They include sales and dispositions that do not go through usual marketing channels such as gifts to non-profit organizations, intra-plant or company transfers, etc.

**FIEI Marketing & Management Conference ponders:**

# 'Are We Suppliers or Are We Marketers?'

**There's an understanding gap between dealers and manufacturers regarding the basics of the marketing job.**

By Bill Fogarty

DEALERS want and need more help from their manufacturers on advertising, merchandising and marketing. So stated Earl Streacker, president of the National Farm & Power Equipment Dealers Assn., when he addressed the Farm & Industrial Equipment Institute last fall.

It looks like Earl hit a home run. The FIEI took him seriously and dug into the matter at its Marketing & Management Conference at Tucson, Ariz., in February. They surveyed field equipment dealers, farmstead dealers and themselves on marketing and related basics. They got answers from 292 field equipment dealers (FEDs), 57 farmstead dealers (AEDs) and 46 manufacturers.

As a whole, the marketing executives didn't like what they saw. "Are we suppliers or are we marketers?" was the question put to the group by Bill Templeton, Deutz-Allis, one of the survey reporting panel.

Some of the key questions and answers:

*To what extent do you and a representative of your major equipment supplier(s) discuss your marketing plans?*

"In great detail," answered 16 percent of field equipment dealers (FED) and 28 percent of farmstead dealers (AED). For 64 percent of FEDs and 56 percent of AEDs, it was "generally a conversational overview." But 20 percent of FEDs and 16 percent of AEDs "really don't get that much into it."

*Who of the following, manufacturers were asked, were included in formulating your 1988 sales forecast?*

The CEO in 80 percent of cases; the marketing executive in 72 percent of them; sales managers, 83 percent; territory managers, 63 percent; dealers, 41 percent, and other parties by 22 percent of respondents.

*Do your territory managers discuss individual marketing strategies and plans with each dealer?*

Yes, said 52 percent of the manufacturers. No, said 48 percent.

*Did you (dealers) formulate a written marketing plan for your business in 1987?*

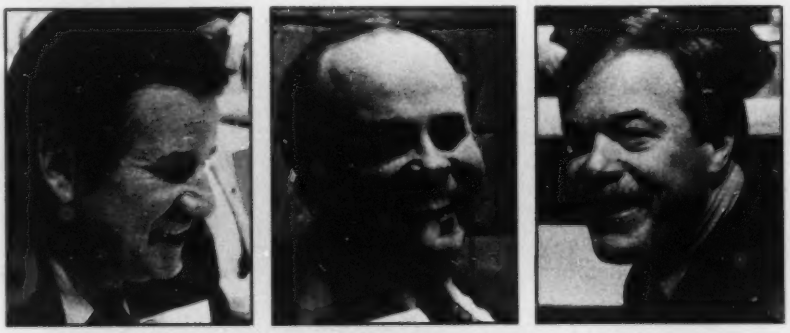
Yes, said 28 percent of field equipment dealers and 36 percent of farmstead dealers. No, said the remainder.

*Did you (dealers) set goals for each line in 1987?*

Yes, said 43 percent of FEDs and 54 percent of AEDs. No, said the rest.

*Who, the dealers were asked, supplies the basic data for discussing market potential?*

(More, next page)



*PAUL THOMPSON* (left), *president, Dairy Equipment Co.: "Seventy-two percent of field equipment dealers and 64 percent of farmstead dealers said they did not have a written marketing plan for their businesses in 1987. And only 40 percent of field equipment dealers and 54 percent of farmstead dealers even set a sales goal for each of their lines last year." BILL TEMPLETON* (center), *vice-president, marketing, Deutz-Allis: "We manufacturers may need to investigate more closely what we believe our field people are discussing with dealers and what is really being focused on. Dealers and manufacturers seem to be putting discussions about key factors—the types, numbers, and the real marketing-related characteristics of our farmer customers—in the bottom half of importance!" DENNIS SCHWITTERS* (right), *executive vice-president, Iowa-Nebraska Farm Equipment Assn.: "Nearly two-thirds of field equipment dealers say they only discuss their marketing plans in a general conversational overview with their major manufacturer. Sixteen percent indicate they go into great detail. What should we make of the fact that nearly 20 percent said they really don't get that much into it?"*

The dealer does, said 45 percent of FEDs and 49 percent of AEDs. The manufacturer does, said the other dealers.

The dealers who said they "didn't get much into a discussion with manufacturers about marketing plans" were asked, *"Have you ever requested assistance?"*

Forty-seven percent of FEDs and 43 percent of AED dealers answered yes; the rest answered no.

Additional questions, as shown in the tables, revealed some areas of general agreement with regard to what is talked about in marketing discussions and what are the most important responsibilities. But there were also basic areas of disagreement on important items.

The survey report was presented by Templeton, who is current vice president of the FIEI's Farm Equipment Div.; Dr. Paul Thompson, Dairy Equipment Co., FIEI Agri-Equipment Div. vice president; and Dennis Schwitters, executive vice president of the Iowa-Nebraska Farm Equipment Assn.

## Stalk Your Company

Leo Shapiro, head of a market research and consulting firm, commented that the dealer-manufacturer survey revealed a "typical" situation. "There's an element of following the comfortable route."

Shapiro advocates self-inflicted discomfort as a means of gaining perspective. "We tell our clients, if you want to get a really good look at a strategic plan for your company, have your own management simulate a leveraged buyout of your own company — stalk your own company *before* the raider comes in. But it takes real stomach. It's not easy."

Shapiro added: "Managers are not brought up to be experts in external reality. Most students and then executives are trained and measured on how well they change themselves, not on the degree to which they change the outside world. They win praise by doing what they are told. *This is career management, not corporate management.*

"But eventually, your success depends on the success of the corporation. You find at that point that all that went before is irrelevant.

"Information about the real world is hard to get. The really disturbing stuff is hard to find. News comes to you through channels, and bad news may never reach the top at all. If you guide your company only using bureaucratic information, you'll be on the rocks of crisis before you know it."

## What's Talked About When Dealers and Factory Reps Review Marketing Plans?

| Percent of Surveys (Rank of significance) | | | |
|---|---|---|---|
| Field equipment dealers | Farmstead equipment dealers | Manufacturers | Topics |
| 67 (1) | 67 (2) | 72 (2) | Sales programs & incentives offered by mfr. |
| 57 (2) | 74 (1) | 67 (4) | Sales forecast |
| 56 (3) | 61 (5) | 72 (2) | Sales potential for line |
| 55 (4) | 65 (3) | 85 (1) | Co-op advertising |
| 49 (5) | 28 (10) | 52 (7) | Equipment for demonstrations |
| 47 (6) | 61 (5) | 52 (7) | Size of trade area |
| 42 (7) | 51 (6) | 65 (5) | Sales training |
| 40 (8) | 25 (11) | 31 (11) | Types of farmers |
| 40 (8) | 32 (9) | 70 (3) | Merchandising and promotion |
| 39 (9) | 63 (4) | 57 (6) | Dealer sales staff |
| 39 (9) | 63 (4) | 72 (2) | Sales volume discount |
| 33 (10) | 44 (7) | 41 (8) | Number of farmers |
| 27 (11) | 16 (1) | 39 (9) | Retail market information |
| 24 (12) | 33 (8) | 41 (8) | Sales incentives offered by dealers |
| 19 (13) | 32 (9) | NA | Dealer farm show participation |
| 18 (14) | 4 (13) | 70 (3) | Point of purchase display(s) |
| 17 (15) | 25 (11) | NA | Mfr. farm show participation |
| 15 (16) | 33 (8) | 65 (5) | Farm show participation |
| 13 (17) | 16 (12) | 33 (10) | Manpower resources available |

## Parts Market Share: Route to Recovery?

Stuart MacKay is a consultant specializing in aftermarkets. He has done extensive research on the farm equipment parts aftermarket for the FIEI parts committee in recent years, some of which has been reported in *I&T*. He came before the Marketing & Management Conference to offer this bottom-line approach to dealers (and therefore manufacturers) recovering lost parts market share.

The main thrust of his findings:

1. **Farmers spend** about $7 billion a year on farm equipment parts.

2. **Farm equipment** dealers now get about 60 percent of this market, about 10 share points less than they were getting at the start of the 1980s.

3. **Auto parts** specialty stores now get about 23 percent of the market, up from 17 percent. The farm and fleet stores get about 9 percent. Cooperatives and other outlets get the rest.

MacKay noted that the farmer does the great majority of the work on his equipment himself. He assigns a value to it based on the average dealer service labor rate, around $24, and comes up with a figure of $6.7 billion. Another $1.3 billion is done for the farmer by others, and farm equipment dealers get about 60 percent of that $1.3 billion, the rest going to independents.

MacKay asked his farmer sample if their dealers were price-competitive on parts. Never, answered 13 percent; hardly ever, said 36 percent; occasionally, said 19 percent; usually, said 27 percent; and 5 percent said always.

"The perception becomes reality," said MacKay. "All farmers will pay more for what they perceive to be a *genuine* part, up to an average of 21 percent more. They think, however, that to get that genuineness from the dealer, they must pay a third more."

He said that when the farmer wants maintenance parts (filters, etc.), he heads for the auto parts store 37 percent of the time, the

dealer 36 percent of the time, the farm and fleet 22 percent, the co-ops and other outlets the rest of the time.

How can the industry change the situation so that the dealer gets more of the farmer's parts dollar? MacKay says that dealers must do a lot more of the installation of the parts, "for whoever controls the service business controls the parts business."

MacKay stressed that good service does three things: Cuts off service competition, cuts off parts competition and cuts off whole-goods sales competition.

"I believe service is the key to dealer survival and I think there are significant opportunities."

**Comment:** The MacKay viewpoint seems hard to dispute. But in the retail marketplace, it is unlikely that dealers will do much in the way of capturing more service business as long as they tend to lose a large amount of money in their service operations, mostly because of management weakness. After MacKay spoke, I put this viewpoint to some industry marketing executives present. I got no argument.

## Other Insights

Also on the Marketing & Management Conference program:

**Dr. Lynn Daft,** consultant on the agricultural economy, said that the general farm income outlook is positive for 1988 and probably for 1989. The large amount of land out of production in 1988 and 1989, "while driving up short-term prices of farm commodities, could then suddenly reverse itself and create another economic crisis."

**Don Collins,** CEO of Collins Industries, producer of specialty vehicles, focused on aspects of niche marketing. You have to have a position of some dominance in that niche, he said, enough so that others can't push you around.

**John Zeeman,** senior vice-president, Allegis Corp. (United Airlines), said that his company had a good concept in positioning itself as a total travel company, "but we didn't do well in the execution. We didn't communicate well with employees, we had poor labor relations and we took the press and Wall Street for granted."

**Charles Krause,** Krause Consultants, moderated a pair of discussion sessions involving the entire group.

**Henry Ferguson,** consultant on international business, talked about the needs of the global executive.

The Marketing & Management Conference was called to order by **Joseph Ecker,** Gehl Co., president of the FIEI Farm Equipment Div. Program chairman was **Bernard Nielsen,** Gehl Co.

**Jay Hesse,** Automatic Equipment Mfg. Co., and Ecker reported on the group's "State of the Industry" sales forecast survey, reported in the February issue of *I&T*. □

### What Are Dealers' Five Main Responsibilities to Manufacturers?

| Percent of Surveys (Rank of significance) | | | |
|---|---|---|---|
| Field equipment dealers | Farmstead equipment dealers | Manufacturers | Responsibility factor |
| 73 (1) | 63 (2) | 67 (2) | Maintain proper parts stock |
| 70 (2) | 39 (7) | 26 (9) | Maintain attractive dealership |
| 63 (3) | 42 (5) | 39 (6) | Maintain proper inventory |
| 61 (4) | 65 (1) | 91* (1) | Aggressively sell entire line |
| 52 (5) | 51 (3) | 61 (3) | Train service personnel |
| 44 (6) | 35 (8) | 33 (8) | Attract farmers to dealership |
| 44 (7) | 32 (10) | NA | Promote parts and service |
| 37 (8) | 39 (7) | 41 (5) | Display equipment prominently |
| 33 (9) | 47 (4) | 57 (4) | Train sales personnel |
| 29 (10) | 42 (5) | 39 (6) | Keep up on new features |
| 26 (11) | 40 (6) | 3 (8) | Advertise dealer-manufacturer association |
| 24 (12) | 33 (9) | 35 (7) | Tie-in support of mfr. promotions |
| 14 (13) | 14 (12) | 17 (10) | Identify names, addresses of all potential customers |
| 13 (14) | 18 (11) | 17 (10) | Provide intelligent sales forecast |
| 11 (15) | 9 (13) | 13 (11) | Resist major discounted sales of equipment |

### What Are Manufacturers' Five Main Marketing Responsibilities to Dealers?

| Percent of Surveys (Rank of significance) | | | |
|---|---|---|---|
| Field equipment dealers | Farmstead equipment dealers | Manufacturers | Responsibility factor |
| 93 (1) | 93 (1) | 92 (1) | Offer pricing structure acceptable to market |
| 80 (2) | 68 (3) | 72 (3) | Provide service training |
| 76 (3) | 46 (6) | 46 (6) | Offer finance plans |
| 61 (4) | 81 (2) | 87 (2) | Provide sales training for dealer |
| 46 (5) | 53 (4) | 49 (4) | Provide co-op advertising funds |
| 40 (6) | 21 (9) | 26 (10) | Provide demonstration equipment |
| 38 (7) | 42 (7) | 35 (8) | Provide literature, etc. |
| 37 (8) | 23 (10) | 20 (11) | Offer sales incentives to farmers* |
| 33 (9) | 51 (5) | 44 (7) | Advertise in farm magazines |
| 24 (10) | 32 (8) | 30 (9) | Display at major farm shows |
| 23 (11) | 21 (9) | 48 (5) | Help establish dealer market potential* |
| 22 (12) | 21 (9) | NA | Sales incentives direct to dealer personnel* |

*Received most "not a responsibility" votes from dealers (about one-third).

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I&T 100 YEARS OF LEADERSHIP

# Implement & Tractor

The business magazine of the farm and industrial equipment industry

June 1988

## We Get Important Letters! page 37

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*A growing market factor:*

## Used Lawn-Garden Tractor Auctions

page 31

Servicing Dealer Is Boxing Chain Saws in Volume
page 10

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I&T 100 YEARS OF LEADERSHIP

# Implement & Tractor

*The business magazine of the farm and industrial equipment industry.*

June 1988 • Vol. 103 • No. 7

## On Our Cover

*The pace and excitement pick up as used lawn and garden tractors roll on the block at Carson Machinery Auction. That bus in the background is a portable field kitchen.*

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## Features

**10:** **Chain saws**—growing into "something unbelievable." This Mississippi dealer found that a servicing dealer who can cater to the needs of the pro chain saw-user can develop a substantial volume.

**14:** **Lawn & Garden Expo:** If you're an exhibitor at this year's show, be sure to bring something new.

**16:** **Who's going to be at Louisville?** Here's a listing of exhibitors in the Lawn & Garden Expo.

**35:** **Plastics for agricultural wear parts**—it's been a long time coming, but there are now plastic types which can be used to improve the life of wear parts, such as moldboards and skid shoes, and to cut down on friction and reduce energy requirements.

**37:** **We get letters:** Subscribers have at it on topics of dealers and dominance, forecasting from the field and shortliners. Editor Bill Fogarty, however, has the last word.

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# INDUSTRY UPDATE

## April Sales Improve, But Pace Is Down

Unit Retail Sales

| Equipment | April 1988 | April 1987 | % Change | January-April 1988 | January-April 1987 | % Change |
|---|---|---|---|---|---|---|
| Farm Wheel Tractors: | | | | | | |
| 2-Wheel Drive | | | | | | |
| Under 40 HP | 7,987 | 7,910 | 1.0 | 18,375 | 18,253 | .7 |
| 40 & Under 100 HP | 3,344 | 3,213 | 4.1 | 11,093 | 8,727 | 27.1 |
| 100 & Under 140 HP | 518 | 390 | 32.8 | 1,685 | 1,055 | 59.7 |
| 140 HP & Over | 1,064 | 712 | 49.4 | 3,986 | 1,930 | 106.5 |
| **Total 2-Wheel Drive** | 12,913 | 12,225 | 5.6 | 35,139 | 29,965 | 17.3 |
| 4-Wheel Drive | | | | | | |
| Under 200 HP | 84 | 74 | 13.5 | 336 | 191 | 75.9 |
| 200 HP & Over | 160 | 88 | 81.8 | 599 | 292 | 105.1 |
| **Total 4-Wheel Drive** | 244 | 162 | 50.6 | 935 | 483 | 93.6 |
| **Total Farm Wheel Tractors** | 13,157 | 12,387 | 6.2 | 36,074 | 30,448 | 18.5 |
| Combines (Self-Propelled) | 182 | 171 | 6.4 | 1,583 | 485 | 226.4 |
| Balers (Bales under 200 lbs) | 384 | 334 | 15.0 | 1,016 | 863 | 17.7 |
| Forage Harvesters (Shear Bar Type) | 106 | 126 | (15.9) | 358 | 351 | 2.0 |
| Mower Conditioners | 828 | 755 | 9.7 | 2,174 | 1,856 | 17.1 |

U.S. retail sales of farm equipment were good in April. But they didn't make the astonishing leaps of earlier months. Farm tractor sales, for example, were up 6.2 percent in April, but up 18 percent for the year. Earlier, some industry observers noted that we might be seeing some minus signs in coming months as the industry runs into shortage situations on some product categories. Meanwhile, as of mid-May, many areas of the midwestern states were concerned about moisture shortages.

# INVENTORY WATCH

*After years of trying, North American farm tractor and combine manufacturers apparently have their inventories of high-ticket models in the range they want them. As of March 31, 1988, supplies of over-100-hp tractors were running about 30 percent of sales through the previous 12 months. Until the fall of 1986, inventories in that category had continuously exceeded sales. The heavy flushing out of big tractor inventory began in mid-1987, when Case IH began an aggressive clean-out program to make room for a new line brought out in the fall of last year.*

*At presstime, I&T talked to spokesmen for three major U.S. tractor companies about their current big tractor production. They indicated that while production was strong, there were currently no extraordinary production efforts.*

*White-New Idea, in the midst of a move of some tractor production activities from Charles City, Iowa, to Coldwater, Ohio, indicated that its output had been slowed but that it would be increased substantially in the fall to make up for earlier gaps.*

*According to a White-New Idea spokesperson, castings, heat treatings, machining and other work is done at Charles City, with its output shipped to Coldwater for line work.*

*A Case IH spokesman said that its Racine tractor works is currently running one full shift plus some support activities on a second shift. There is no Saturday or Sunday work, however. "Our ability to manufacture tractors depends to a great extent on suppliers getting components to us as needed."*

*Ford New Holland's big tractors, the TW series, are produced at its plant at Antwerp, Belgium. The production schedule there has been increased by "a modest amount," according to a spokesman.*

*As of March 31, inventory of self-propelled combines was running about 40 percent of sales in the previous 12 months. The heaviest sales season for combines is in the fall.*

*The only major product category in the inventory reports provided by the Farm & Industrial Equipment Institute which shows stockpiles exceeding sales is tractors under 40 hp. Most of these tractors are made in Japan. In 1987, as the U.S. dollar declined against the Japanese yen, retail sales declined from those of the previous year for the first time since 1982. However, inventories went up, presumably as a hedge against further dollar declines. They eased off somewhat in the 12 months up to March 31, 1988.*

| Equipment | Inventory Levels Mar. 31, 1987 | Oct. 31, 1987 | Nov. 30, 1987 | Dec. 31, 1987 | Jan. 31, 1988 | Feb. 29, 1988 | Mar. 31, 1988 | 12-Month Sales, Apr. 1, 1987-Mar. 31, 1988 |
|---|---|---|---|---|---|---|---|---|
| Tractors | | | | | | | | |
| Under 40 hp | 70,311 | 59,399 | 60,981 | 60,179 | 62,176 | 63,479 | 64,921 | 59,947 |
| 40-99 hp | 22,949 | 18,996 | 19,622 | 20,042 | 20,309 | 19,983 | 19,629 | 32,953 |
| 100 hp and over | 12,561 | 6,306 | 5,704 | 5,524 | 5,142 | 5,578 | 5,379 | 18,117 |
| Four-wheel drive | 1,592 | 1,474 | 1,596 | 1,697 | 1,763 | 1,813 | 1,739 | 2,023 |
| **Total Tractors** | 107,413 | 86,175 | 87,905 | 87,442 | 89,390 | 90,871 | 91,668 | 113,040 |
| S-P Combines | 4,994 | 4,496 | 4,044 | 3,588 | 3,401 | 3,575 | 3,443 | 8,259 |

Source: Farm & Industrial Equipment Institute